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## Chinese Capitalism in Dutch Java

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### I Introduction

There are not many writings on Indonesian business. Even the writings on Indonesian Chinese have been mostly on their politics, despite the often-stated importance of their role in the economy. Indonesia today considers economic development as its main aim, and has been relying more and more on the private initiative of its citizens in achieving this aim. It is in this context that it might be useful to draw attention to the rise of Oei Tiong Ham Concern in the prewar period. Engaged in international trading, sugar milling, banking, shipping, and some other trade-related activities, it was the first modern business conglomerate in Southeast Asia. The founder of the Concern, Oei Tiong Ham, was an exception among the Chinese who ran small businesses relying on family members. Oei Tiong Ham was not what L. Williams calls a mere business manager [Williams 1952], or even a simple bearer of risk, but a leader in economic development as well as a modernizer of business in the region. His achievements contradicted the prewar colonial order and J.H. Boeke's dualistic theory [Boeke 1931]. Ironically, it was the passing of that order which caused the decline of Oei Tiong Ham Concern.

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In Indonesia, a legend often grows around a man of great success, and this is certainly true in the case of Oei Tiong Ham. Therefore one should not always accept everything that has been written about him at its face value. For example, his daughter Oei Hui Lan's description of her father's elaborate morning toilet and gargantuan breakfast reminds us more of a mandarin than a businessman [Koo 1943: 34-35], for the typical picture of a Java-Chinese businessman is that he did everything fast, though in his days life was indeed much slower than today. Oei Tiong Ham's father, Oei Tjie Sien, might also have had some share in this legend-making. A typical new immigrant from China was poor and illiterate, but Oei Tjie Sien, who was the first of the family to come to Java, might have been an exception. However, Oei Hui Lan's story of the aura of light around him during sleep [Koo 1943: 6] was probably not true, for it was probably borrowed from Javanese society in which such a story has old and deep roots [Koo 1943: 7]. Even today Oei Tiong Ham is still talked about in Indonesia. He is said to have been a persuasive and sweet-talking diplomat, somewhat of a financial raider, and a charmer of women. Unfortunately, there is no way of knowing today how much of it is a myth and how much of it was reality.

Oei Tiong Ham's life and career can be understood better if we know the social and economic environment of his period. But

since we cannot discuss every aspect of it, we would like to narrow our discussion to what had direct bearings on his life and career, namely: the formation of the Chinese, especially *peranakan* society in Java; the rise of capital in this society; and Dutch colonial policy which shaped these developments. And then we want to focus our attention on Semarang, where Oei Tiong Ham grew up, and view his business expansion against the business and social background of the city.

## II Peranakan Society under Dutch Colonial Policy

Although the Chinese began coming to Southeast Asia a long time ago (probably as far back as the dawn of history), the structure of the Chinese community in Indonesia today started to develop only after the advent of Dutch colonialism in the region. In 1619, the VOC (Vereenigde Oost-Indische Compagnie, or Dutch East India Company) made Batavia its headquarters for its trading operations in Asia, and Java, where Batavia was located, became the cradle of Dutch colonialism in the Indonesian archipelago [Masselman 1963]. Colonization of the Philippines, however, started earlier than that of Java, but compared with the Dutch, the Spaniards who colonized the Philippines were less commercially oriented and less efficient in exploiting their colony. Because of this, they had less need for Chinese labor. At the end of the Spanish period, there were about 40,000 Chinese there [Purcell 1980: 496], but around the same time, there were 300,000 Chinese in Java [Purcell 1980: 386]. Like the Dutch, they came to the Indonesian archipelago to earn

money. The Dutch founder of Batavia, J.P. Coen, who was Governor General of the colony from 1619 to 1623, thought of the Chinese in the city as an essential economic asset. The Chinese formed a majority in Batavia's population, living as artisans, traders, contractors, and coolies. And in the 18th century, they began operating sugar mills in the environs of the city. They were its middle class as well as its proletariat. The traders were intermediaries between the Dutch and the indigenous people as well as between city and hinterland [Blusse 1986: 78-79].

In early colonial days, the Dutch tried to populate Batavia with free burghers, by encouraging immigration from their country. But this failed because the VOC did not really want to develop a city of free burghers from the fear that such a city would threaten its trade monopoly and its authoritarian political structure [Taylor 1983]. Ultimately, the VOC preferred forming an economic partnership with the Chinese, and this became a permanent aspect of the Dutch colonial order.

Early Batavia was already what J.S. Furnivall later called a pluralistic society [Furnivall 1939]. Each group tended to have an independent social life and was administered by its own headman. In Jakarta today, the pattern of residence developed in early Batavia is still reflected in such locational names as Kampung Cina, Kampung Bali, Kampung Melayu, and Kampung Arab. Until 1740, however, the Chinese seemed to have been able to live anywhere in the town. They were, however, managed by their own headmen—the so called officers, such as *kapitan*, lieutenant and quartermaster. The officers were appointed by the Dutch and usu-

ally selected on the basis of wealth—the source of respect and influence in merchant communities like that of the Chinese. Later, when the local Chinese developed a sense of solidarity among themselves as *peranakan* and established themselves as a group different from the newly arrived Chinese (*singkeh/totok*), Chinese officers were appointed only from them.

The existence of the Chinese officer system did not mean that the VOC did not intervene in Chinese community affairs. In 1655, the Dutch established the Council of *Boedelmeesters* (Trustees), consisting of both Dutchmen and Chinese, to administer the inheritance of the Chinese who died without issue or without children who had come of age. The fund the trustees came to administer was used to build hospitals and orphanages. The Dutch and the Chinese also had to jointly deal with some other problems such as sanitation and debtor-creditor relations involving both. And also, from early days, the Chinese could take advantage of the Dutch commercial law which gave protection to their property. Being the headquarters of the VOC, Batavia enjoyed the best legal protection, so many Chinese preferred to stay there [Blusse 1986: 85].

From the founding of Batavia in 1619 to the end of the VOC in 1800, the relations between the Dutch and the Chinese seemed generally good, but in 1740 there occurred a massacre of Chinese in Batavia. This was followed by the so-called Olanda-Cina (Hollanders-Chinese) war, which in turn led to a war of succession among the Javanese princes, dividing them into the pro-Chinese and pro-Dutch groups. Peaceful relations between the

Dutch and the Chinese seemed to have been restored within one or two years, even sooner in Batavia, but one permanent effect of the 1740 massacre was that the Chinese were from then on assigned to their own residential quarters, called Chinese *kamp* [de Haan 1935: 376-395], and were forbidden to live elsewhere. The quarters were called Chinese ghettos, or Chinatown, and this residential pattern led to a zoning system. In Dutch it was called *wijkenstelsel*, which together with the *passenstelsel*, which required a pass for the Chinese planning to travel outside, restricted their freedom of movement. However, it was not until 1830 that these restrictions were rigorously enforced by Dutch officials [Rush 1977: 95-96].

Even before 1740, the Dutch tended to keep the various ethnic groups they ruled separate from each other. In the beginning, this tendency was derived more from religious considerations than from racial ones. This is not too difficult to understand if we remember the fact that the Dutch came from the Europe of the 17th century, when religious intolerance was at its zenith. The term “*peranakan*,” for example, reflected the Dutch religious bias. Until the early 19th century, the term was used to refer to the Chinese who became Moslems, or the shaven Chinese—the Chinese who shaved off their pigtails when they became Moslems. Their number seems to have been quite large. The VOC segregated them from the non-Moslem Chinese and appointed their own officers. The position of major in the Moslem Chinese community in Batavia was, however, abolished in 1827 when they became indistinguishable from the indigenous Moslem population [de Haan

1935: 395-396]. The term “peranakan” has been since then applied exclusively to the Java-born Chinese.

Whatever the origin of the separation policy was, it became later a very useful tool for political control based on *divide et impera*. It was extended to cover the style of dress each group could wear. The Chinese were, for instance, forbidden on the penalty of a fine or even imprisonment to dress like Europeans or indigenous people. If the Chinese were allowed to dress like the indigenous people, the Dutch feared, they might mingle with them and cause trouble; or Chinese debtors who were sought by Dutch authorities could disappear among the indigenous people. The separation policy strengthened the attitude of indifference between the groups. And it was easier for the Dutch to identify the Chinese with the dresses, residential quarters, and other distinguishable marks imposed on them.

The Batavia model of a plural society and especially of Chinese-Dutch relations was duplicated all over Java when the VOC expanded its commercial and military power. Every important colonial town had a Chinese quarter. The Chinese brought porcelain, cotton, silk, and paper from China and sent back spices. During the 17th century, the VOC set up fortresses and warehouses along Java's north coast (*pasisir*) such as Semarang, Japara, and Pekalongan. In 1672, the Chinese community in Semarang was regarded as already numerous and important enough to have its own Chinese captain or kapitan [Liem Thian Joe 1933: 9-10]. In 1678, Semarang and its environs were ceded to the VOC by the sultan of Mataram. From then on, Semarang became the Dutch headquarters

for its expansion to other areas of Java and for its relations with the princes of Mataram in the interior of Central Java. In 1740, the massacre in Batavia caused the Chinese in Semarang (and also other parts of Java) to rise against the Dutch, but in 1742, peace returned to Semarang [Willmott 1960: 4]. After the treaty of Gianti in 1755, the sultanate of Mataram was divided first into three and later into four principalities. With the power of Mataram crushed, the Dutch emerged as the most powerful force in Java and kept it in peace until 1825. During this time, the Dutch instituted a system of government, which J.S. Furnivall called indirect rule [Furnivall 1948], by appointing a Javanese “regent” to rule over the population in very much the same way as the major, kapitan and lieutenant did over the Chinese.

When peace was restored after 1740, Semarang became prosperous. The Chinese naturally shared this prosperity with the Dutch, and became more indispensable to them. The Chinese brought the products of the interior to coastal cities for shipment outside, and took imported goods from Europe to the peasants in the interior. The important rice trade was also in their hands. Then there were lucrative incomes from government tax farms and monopolies. With peace in the interior, the Chinese began also to farm such taxes in the principalities as the toll-gate tax, bazaar tax, and land tax. The Javanese princes and nobility rented out their lands (*ap-panages*) to Europeans and Chinese. As Semarang became prosperous, the post of its governor became the most coveted one within the VOC, yielding sometimes more income than that of the Governor General in its twilight

days when corruption became rampant.

The Chinese traveler to Java, Ong Tae Hae, who visited Semarang in 1783, described it as a finer town than Batavia, which was suffering from malaria at that time [Ong 1849]. According to him, Semarang had a bigger territory under its trading network, and its production was more diverse and greater in volume. And since it attracted a large number of trading vessels, its business community was more active than anywhere else. Indeed, Semarang was more favored by nature than Batavia. It had hills right behind it to which its people could retreat for a cool climate, while Batavia was surrounded by malaria-infested morasses. So, Semarang became the main harbor of the *pasisir* and kept this position until the 1890s when it was taken over by Surabaya [Frederick 1978: 10-16].

The Semarang port was not deep enough for the steamships which became the major means of ocean transport after the opening of the Suez Canal. However, Semarang remained as a major business center in Java, as seen from the fact that it was the site of the Colonial Exposition in 1914. In 1864, one of the first rail connections in Java was built between Semarang and Surakarta to provide a better transportation system to link the former to the interior [Wright 1909: 489]. However, from 1825 to 1830, peace in Central Java was once again shattered by the rebellion of Prince Diponegoro, called Java War. After the suppression of the rebellion, the Netherlands East Indies government (which replaced the VOC in 1796) annexed the remaining part of Java and closely supervised the governments of the princes whose ter-

ritories came to be confined to the environs of their *kraton* towns after 1830.

With the advent of the Netherlands East Indies, the three groups of the population became more clearly defined. The Europeans now included the Eurasians whereas the Chinese, Arabs, and other Asians became the foreign Orientals. In the basic law of 1854, Europeans, foreign Orientals, and indigenes became legal terms, and they were subjected to different sets of laws and judged in different courts [Purcell 1980: 436]. On the matter of commerce, however, the Chinese came under the Dutch commercial law, as long as it was applicable, since the early VOC days. The law of 1854 now covered the *kongsi*, the form of business enterprise most favored by the Chinese. In appearance, the *kongsi* resembled the Dutch *naamloze vennootschap*, or limited liability company [Vleming 1926: 56]. However, since the *kongsi* was formed on the basis of business tradition among the Java Chinese, its structure and function were quite different. In the beginning, it was Dutch commercial interests which insisted that the Chinese be brought under the Dutch commercial law so that the Dutch could have some control over Chinese debtors and other business relations involving the two. In the long run, however, this proved to be very beneficial for the development of Chinese capitalism [Purcell 1980: 436].

The Dutch civil law applied fully to Chinese business matters, but not to Chinese family affairs. For example, Chinese marriage, the problem of concubines, lineage, inheritance, bequest, and child adoption were covered by their *adat* (customary) law. However, since nobody had a very clear idea of what was their

adat law, it was of no use when a dispute arose between family members, especially concerning large inheritance. It usually resulted in a long and expensive litigation [Fromberg 1926], and so by the early 20th century, the Dutch civil law had become applicable to Chinese family affairs as well [Purcell 1980: 438]. This limited the testamentary power of the Chinese *paterfamilias*, but the Chinese did not protest against it. They could have done so if they really had wanted to, for people were often protesting loudly at this time if they had grievances. The Chinese voluntarily took their disputes with the Dutch or with other Chinese (often other family members) to Dutch lawyers, some of whom became rich with Chinese customers (for example, D. Fock, who later became the Minister of Colonies, 1905-08, and Governor General of the Netherlands East Indies, 1921-26) [Purcell 1980: 444].

In the late 19th century and the 20th century, Chinese grievances against the colonial government centered around the restrictions on traveling and residence and the treatment under the penal code for the indigenes. The latter subjected the Chinese to the abuses of the notorious *politie-rol* or police court administered by the local Dutch authorities. In 1914 the *politie-rol* was abolished in Java [Purcell 1980: 437].

The law of 1910 on Dutch *onderdaanschap* (subjectship) was based on *jus soli*, so it made the locally born Chinese Dutch subjects. However, the locally born Chinese and the Dutch were not treated equally under the Netherlands East Indies law. On the other hand, the Japanese and the Thai were treated in the same way as the Dutch [Purcell 1980:

436]. The Chinese complained about this inequality, but the Dutch justified it by saying that China had not reached the same level of Westernization as Japan and Thailand had. But the real reason for the unequal status of the Chinese was the necessity on the part of the Dutch to maintain the economic and social order of the colony [Williams 1960: 28].

The restriction on the freedom of movement of the Chinese was needed for the same reason. Colonial policies in the 19th century evolved around the cultivation system (1830-70) and the plantation economy it created. The colonial state developed, owned, and managed the plantations of export crops, such as sugar, coffee, tea, indigo, and tobacco. The cultivation system forced the peasants to become *corvée* workers at the plantations of export crops in lieu of the taxes they owed to the colonial government, and created a system which used "less money but [brought about] greater profits" [de Graaf 1949: 407]. The Netherlands Trading Society had a monopoly on the export of those products and took them to the world market. The system evoked the admiration of such writers on colonial affairs as J.W.B. Money [Money 1985]. However, more liberal Dutch and non-Dutch writers were not so favorably inclined.

In order to protect the monopoly over export products and later over peasant labor, the Dutch enforced strictly the restriction on Chinese residence and travel from 1830 to the early 1900s. The Chinese brought the money economy to the interior of Java as traders and money-lenders. The view of the Dutch officialdom at that time was that greater monetization would make the Javanese peasants vulnerable to sharp Chinese traders

and usurers and lead only to their destitution, and that this would make them demand unreasonable wages or run away to cities and impair the plantation economy. The view was in sharp contrast to the modern capitalistic view that monetization would induce people to work harder by increasing their material needs. As V. Purcell states [Purcell 1980: 443], the Dutch officials in the 19th century were jealous of the strong economic position of the Chinese and were worried that this would endanger the plantation economy, but they did not openly admit it. Instead, they attributed the strong Chinese position to the improvidence and vices of the indigenes and argued that they should be saved from the clutches of the Chinese usurers and given guidance. As to the strength of Chinese vis-a-vis Dutch traders, the Dutch officials attributed it to their lower standard of living and overhead costs.

The negative attitude of Dutch officials caused a great deal of harassment to the Chinese living in the interior. They were allowed to live only in towns where there was a specially designated Chinese quarter. When the restriction was rigorously enforced in 1830, many Chinese in the interior were forced to move to such towns and abandon their businesses, houses, and other properties in the places where they had been living. Some Chinese preferred to opt for assimilation to the local population than to abandon their property and move to new towns [Rush 1977: 117]. Dutch colonial reports show that during the whole duration of the cultivation system, the policy of forcibly moving Chinese to towns was carried out quite often and done

every time a revenue farm was taken over by the government and Chinese were no longer needed for this purpose in the rural area.

It was, however, the *passenstelsel* which was more harmful to Chinese business. It required anyone traveling outside the Chinese quarter to get a permit from the Chinese officer and show it to local officials at his destination. A great deal of discretion was given to Dutch officials in the implementation of the *passenstelsel* as well as of the *wijkenstelsel*, and they often abused their power for their own advantages [Williams 1960: 28; Liem Thian Joe 1933: 87-88].

Although Dutch officials considered the Chinese as an evil for Javanese villagers, they were fully aware that the Chinese were necessary to maintain the colonial revenue structure and enhance Dutch commercial interests. The Chinese took the goods imported from the Netherlands and other European countries to the interior and brought back the products of the interior to colonial towns and harbors. Furthermore, an important part of the colonial revenue depended on farming out tax collection and monopolies to wealthy Chinese.

The revenue farmer and his employees and agents were free from the restrictions under the *wijkenstelsel* and *passenstelsel* within the territory of the farm since they were considered to go there on government business. In a large farm many Chinese were employed and were able to move relatively freely in its territory.

In the early 1800s, the list of revenue and tax farms was very long.<sup>1)</sup> For example, there

1) "Belastingen" in *Encyclopaedie van Nederlandsch-Indie*, Leiden, M. Nijhoff and E.J. Brill, 1917-39.



were farms on salt and opium trading, pawnshop operation, *wayang* performance, gambling, river crossing, cattle slaughtering, business in a bazaar, and the placing of bird nests on Java's south coast. But many of these farms were gradually abolished or replaced by the government's direct involvement. Every time an important farm was taken over by the government, it caused a great stir in the Chinese community, as did the abolition of the bazaar tax in 1851 [Liem Thian Joe 1933: 82-84]. After 1880, the opium and pawnshop farms were the only two important farms left, but even these were abolished in 1904 [Rush 1977: 261].

These economic and revenue policies of the colonial government were an important influence in the evolution of the economic and social structure of peranakan society. One can argue that the restrictions on traveling and residence (especially the latter), the Chinese officer system, and the revenue farm stimulated capital accumulation within peranakan society and enhanced the role of the Chinese in the colonial economy. Chinese immigrants coming to Java were generally poor, and needed capital and/or sponsors for starting a business. And when they wanted to get goods on credit from European companies, they needed guarantors. For these, they often depended on the more affluent, better established peranakan society.

The peranakan community consisted of the locally born Chinese who were thought to live permanently in Java. In the 19th century, they were predominantly of mixed blood since it was not until later in that century that Chinese women immigrated to Java. They did not speak Chinese, having lost their

mother tongues in the third generation or thereafter, if not in the second generation. They adopted many local customs as the result of the influence of their mothers, but were not quite assimilated into the indigenous society. Old peranakan families could trace neither their ancestry in China nor the places of their origin; they, instead, simply traced their family origin back to the first immigrants who came to Java in the late 18th century.

In Java, the peranakan community dominated the singkeh community. Not only did the singkeh come as poor men, but after they made some money, they also sent a large part of it to China to support their families or buy the properties they would need to sustain their life after they returned to China. But there was no such capital drain in peranakan society, and it was the development of this society which brought about the strong economic position of the Chinese in the colonial economy of the 19th century.

The elites of the peranakan community were the officers, or *cabang atas*, as the Chinese chronicler of Semarang, Liem Thian Joe, called them [Liem Thian Joe 1933: 140; Rush 1977: 90]. Wealth was the basis for appointment to the positions of major (this position existed only in Batavia, Semarang and Surabaya), kapitan, and lieutenant. Wealth also made it possible for peranakan Chinese to become revenue farmers, and so, as Liem Thian Joe correctly observed for Semarang, Chinese officers and revenue farmers were usually the same persons. And since the late 18th century, wealth, the revenue farm, and the position of officer tended to be hereditary, and were restricted to a small number of

peranakan families [Onghokham 1983: 29-57]. In Semarang, there were the Be, Liem, Tan, and later Oei families, and in Surabaya, there were the Han, The, Tjoa, and Kwee families which produced officers and revenue farmers for generations [Onghokham 1983: 42]. For example, the Be family in Semarang and the The family in Surabaya produced four to five generations of officers and revenue farmers until the early 20th century, when the officer and revenue farm systems were abolished.

Revenue farms were auctioned publicly and with great ceremony in the big hall of the Javanese regent's *dalam* (court) and were sold district by district for one or more years [Rush 1977: 30]. Theoretically, the revenue farm was to be given to the highest bidder, but the final decision was left to the local Dutch resident. He had to have confidence in the financial and managerial capabilities of a potential candidate. The farm price was usually paid in installments during the farming period, so that even if someone offered the highest bid, he could not win if the Dutch resident judged that his offer was speculative. If he defaulted, the government would lose millions of guilders. A Chinese officer, however, came into close contacts with the Dutch local resident and was better known, so when an auction came, he was in a better position to win the bid. If he succeeded in becoming a farmer, he could send his agents to the district. Since they were free from the government restrictions on traveling and residence,<sup>2)</sup> besides collecting revenues, he

usually built up an exclusive trading network by using those agents and enjoyed monopoly profits. In the 1880s, despite government restrictions, the revenue farm enabled several ten-thousands of Chinese to move freely in the interior.

Through revenue farms and trade monopolies, great wealth was accumulated in the peranakan families which could maintain the cabang atas status. They consolidated their position through intermarriage and getting their sons and sons-in-law appointed to officer positions in other towns and helping them in getting revenue farms in other districts. Accumulated capital was mainly invested within the relatively small Chinese quarters, and this made them become the most prosperous and commercially active centers of Javanese towns and cities [Onghokham 1983: 29]. The Chinese quarters also developed a network of relations and business ethic which were necessary for doing business on the basis of trust—a *sine qua non* for capitalistic development. At the same time, living and working in the Chinese quarters might have reduced living and business expenses for the Chinese traders, shopkeepers, and artisans and given them an advantage in business over the Dutch, as the latter often complained about [Purcell 1980: 432-443]. For a singkeh, to become a cabang atas was his dream. To realize it, he made efforts to get accepted by peranakan society, use its capital and business network, and eventually get assimilated to it [Skinner 1963: 97-117]. It was not an impossible dream since there were ups and downs in peranakan society and only a few cabang atas families could maintain their position over generations.

2) Williams states that through the opium farms, the Chinese could live in 30,000 villages during the 19th century in Java. See Williams [1960: 32].

If there were strengths in peranakan society, there were also some weaknesses. A great deal of wealth was dissipated on lawyers and other court expenses because of the litigation over inheritance, which often arose after the death of a wealthy peranakan because he usually had a number of wives and concubines and children from them [Willmott 1960: 51]. Even if there was no litigation, wealth was divided by a large number of children (usually sons), and this tended to cause capital to be dissipated. Relations among the children especially of different mothers, or even of the same mother, tended to be bad, and for them to cooperate in business was difficult. Chinese business was personally structured. The death of the founder, manager or even a partner often ended its life.<sup>3)</sup> Business ethic, too, was perceived in personal terms [Willmott 1960: 69], and outside closely knit groups, there were sharp business practices and a great deal of suspicion about others [Borel 1900].

While great wealth was obtained from revenue farms and trading, the Chinese were usually local- and district-bound. The restrictions on their traveling and residence made it very difficult for their business to become Java-wide, let alone country-wide and international. There were, however, a few exceptions in the late 19th century. Some cabang atas families of Semarang, notably the Be family, the doyen of the cabang atas there [Rush 1977: 100], obtained opium farms in several districts in Central Java, and had sons and sons-in-law appointed as officers and revenue farmers in other towns and districts.

3) "De Indo-Chineesche Familie en Wetgeving" in [Fromberg 1926].

Being a big rice exporter and general goods importer, the Be family extended their trading network to as far as Singapore.

The business interests of the Be family were already quite extensive in the late 19th century, but their management was largely familistic [Willmott 1960: 51]. In some ways, peranakan society was much more conservative than singkeh society; they were more family oriented and employed mainly family members for their businesses. As many writers have pointed out, this familistic characteristic prevented Chinese businesses from expanding and kept them generally small and weak [Vleming 1926: 75; Williams 1952]. The Chinese themselves have recognized this problem and said that a family business generally lasts, at most, for three generations. However, in the business environment of the late 19th and the early 20th centuries, there were reasons for nepotism. Since the level of education was generally low and questionable business practices were prevalent outside the well-established network of personal relations, the family was virtually the only source of trustworthy workers. And they, too, employed clandestine business practices such as tax evasion using several books, and had to protect these and other trade secrets from leaking out. Furthermore, capital was scarce, and the most effective way of generating extra capital was to use family labor and minimize wage payments.

The wealthy peranakan Chinese sometimes mingled socially with the Dutch. In a way, they were expected to entertain the Dutch to enliven their monotonous life in a local colonial town. Dutch officials and employees

were restricted in spending because they had to depend on fixed salaries from the government or companies. Although the Dutch resident gave receptions on the birthdays of the Dutch royal family and other national occasions, to which the Dutch community and the non-Dutch elites were invited, the Dutch often depended for feasting on the Javanese regent and the wealthy Chinese [Onghokham 1983: 29-57]. Grand feasts were given by the rich Chinese on such occasions as the Chinese lunar New Year, birth of a son, wedding, official recognition, and appointment. The guests were divided into three groups (the Dutch, Chinese, and indigenes), and each was provided with its own food and entertainment, but there was some interaction among them, though it was a little formal and superficial. Dutch travelers in the late 19th century report that they danced with the daughters of the cabang atas family of Surabaya, the Thes.

There were more conspicuous forms of winning favors from the Dutch. On New Year's Day, expensive gifts (such as a fish with big diamonds as its eyes) were sent to the resident. Or when a Dutch official was going home or moving to another town and selling his belongings, the Chinese offered high prices—much higher than their real prices. They were in effect sending signals to his successor as to what he could expect when his turn came [Liem Thian Joe 1933: 148]. These forms of "corruption" lasted as long as the revenue farm lasted and was officially tolerated. But after the revenue farm was abolished, the Dutch officialdom became generally clean and free from corruption [Furnivall 1948].

The language used between the three

population groups was the archipelago's lingua franca, Malay. Unlike other colonialists, the Dutch did not encourage the use of their language by non-Dutch people and usually thought that the use of the Dutch language by the non-Dutch was offensive. Even in the 20th century, when Dutch schools were established for the non-Dutch (including the Chinese), the Dutch could not emotionally get away from that feeling and were saying that they preferred the non-Dutch not to understand their language.

Close relations with the Dutch influenced the culture of peranakan society. By buying Dutch furniture and other Dutch products, the cabang atas peranakan adopted the Dutch style of living. In the 20th century, when Dutch naturalization became possible, many peranakan Chinese sought it and obtained European status [Skinner 1963]. Even in the early 1940s, when the threat of war began endangering Dutch colonialism, there were still some Chinese asking for Dutch naturalization.

In Semarang in the late 1870s, Dutch influences in the Chinese officer families became obvious. The lieutenant Liem asked the colonial government to admit his son to a Dutch school, but when he was refused, he hired a Dutch governess to teach Dutch to his children. In the late 19th century, rich peranakan Chinese began hiring more and more Dutch teachers for their children and sometimes for themselves [Liem Thian Joe 1933: 150]. And around the same time, missionary schools began admitting Chinese children. As a result, there emerged a group of peranakan Chinese who could understand the Dutch language and culture.

### III Oei Tjie Sien

In 1858, when Oei Tjie Sien, the father of Oei Tiong Ham, landed in Semarang, Java had long recovered from the Java War (1825-30). The population, estimated at a little over six million in 1831, had doubled by that time [Nitisastro 1970: 30]. However, the cultivation system was still at its height, limiting the freedom of movement and trade of the Chinese. At this time, China was in the midst of the Taiping Rebellion, and to escape from its devastations, a large number of people fled the country for Nanyang. Oei Tjie Sien seems to have come to Java during this emigration wave. Unlike most other immigrants, he seems to have had some education. This was not unusual in China in the 1830s when he was born, for village schools were spreading then [Gernet 1986: 473-475]. However, he probably did not bring much capital, since he was peddling Chinese pots and wares in the early days of his life in Semarang.

Semarang was the right place for an aspiring trader. During Oei Tjie Sien's time, it was the biggest harbor and trading center of Java. In contrast, Batavia still had its hinterland, Praiangan, closed to Chinese or any other private traders, in order for the Dutch to be able to protect the forced cultivation of tea. And in Semarang, fairly smooth relations between the Dutch officials and the Chinese were being maintained by the cabang atas families which were the oldest and best established in Java. Wealthy peranakan Chinese had been building houses and buildings in the European style, though they did not make them too similar to colonial offi-

cial buildings, afraid that they might incur the wrath of the Dutch officials and get their buildings torn down and get fined [Liem Thian Joe 1933: 150]. Although the Dutch officials were sometimes arbitrary in exercising power and upholding colonial prestige in front of the Chinese, the worst abuses in restricting the movement and residence of the Chinese were avoided in Semarang.

More important for Oei Tjie Sien's rise as a trader was the possibility of a singkeh's acceptance by peranakan society, which became difficult in the late 19th century. In the 1850s, Chinese immigrants came in smaller groups (sometimes individually) than those who came later. And the Chinese officers were not yet so "Dutchified" and separated from the generally ill-educated and poor singkeh as in the early 20th century. Even the cabang atas families were only a few generations away from their singkeh ancestors. Oei Tjie Sien's education might have also helped him in developing close relations with wealthy Chinese.

He moved fairly quickly from rags to riches. In five years after his arrival in 1863, he founded Kian Gwan as a kongsi. His easy adaptation, if not assimilation, to peranakan society seems to have made this possible. For it was certainly not his trading in Chinese wares and pots which made him a big merchant; it was rather the trading of the agricultural produce of Central Java such as rice, gambir, and incense, for which he needed the capital and trading network of peranakan society. At this time, however, the trading of sugar (which later became the major commodity of Kian Gwan) was still a government monopoly.

Oei Tjie Sien founded Kian Gwan with an

outsider called Ang rather than with his brothers. This was not an unusual thing to do for a singkeh because as a new arrival he did not have a big family. Singkeh Chinese were usually less familistic than *peranakan* Chinese for this reason [Willmott 1960: 107]. What was a little unusual is that Kian Gwan was registered with the local government, for even now, many *kongsi* are founded only orally and not registered (such *kongsi* are called *kongsi mulut*) [Vleming 1926: 67]. But at his time, there were some other *kongsi* registered with the government. They were patterned after what is known as a limited liability company under the Dutch commercial law. According to J. Vleming, since a limited liability company was the safest form of business organization, the Chinese sometimes made use of it from the early 19th century. The Dutch commercial law enabled two persons to form a *kongsi*. A family company or even a company of single ownership could be registered as a limited liability company, with the second person as a silent or puppet partner.

Oei Tjie Sien returned to China, and on the way there and back, he might have stopped at several places in Southeast Asia. Otherwise, it is difficult to explain Kian Gwan's international outlook. In the late 19th century, when Java needed to import a large quantity of rice, Oei Tjie Sien developed contacts abroad and became a rice importer.

Oei Tjie Sien's wife was definitely *peranakanized* if not a *peranakan* herself, as attested by her way of life, such as playing Javanese cards and chewing beetle nut, gambir leaves, and tobacco [Koo 1943: 14-15]. In 1866 she gave birth to Oei Tjong Ham. In

1884, when he was 18 years old, his father arranged for him a marriage with one of the daughters of the well established Goei family in Semarang. This shows Oei Tjie Sien's entry into the *cabang atas* class. The Goei family were holding officer positions and revenue farms.<sup>4)</sup> The founder of the family probably came to Java sometime in the 1770s, and the family had become very *peranakanized* by the time of the marriage. It was either Oei Tjie Sien's wealth or his entry into *peranakan* family which enabled him to form this marriage alliance. The Oei family was still new and upstart compared with the Goei family. In *peranakan* society, this fact counted a great deal, but Oei Tjie Sien was able to overcome it somehow.

Unlike his dynamic son Oei Tjong Ham, Oei Tjie Sien seems to have been very cautious and conservative in business, but he became quite wealthy with this business philosophy. Many wealthy Chinese invested their money in real estate. The revenue farmers and sugar and rice mill owners thought their business was basically speculative and full of risk, and invested money in real estate since in this way, they could obtain fixed and safe property incomes. Another reason for preferring real estate investment was that properties were easier to manage than business, and

4) Oei Hui Lan (or Koo Hui-lan) says that her mother's family was newly arrived and poor [Koo 1943: 9-10]. In this case, however, her memory seems to have failed her due to her long stay abroad. Tjoa Soe Tjong says the first wife of Oei Tjong Ham was a daughter of the well-known and wealthy Goei family of Semarang [Tjoa 1963: 607]. According to Wright, the Goei family of Semarang came to Java in the late 1770s and was one of the oldest and wealthiest *peranakan* families of Semarang [Wright 1909: 511-512].

were easier to divide among children. But real estate investment got sometimes heated up, endangering the financial condition of their main business. In general, it was a heavy drain on capital and a constraining factor for business expansion.

Like a typical merchant at that time, Oei Tjie Sien also invested heavily in real estate after becoming successful in business. In 1883, he bought several properties of an opium farmer called Hoo, who had gone bankrupt, but he was not yet rich enough to buy his opium farm [Liem Thian Joe 1933: 151]. After this, he seems to have gradually retired from business, and started developing his garden and devoting himself to some literary activities. Before his death, he determined the successor to his business, and divided his properties among his children. It was not unusual for a successful merchant to do so at that time because dreadful litigation often arose among children after his death. Oei Tjie Sien chose Oei Tiong Ham as his business successor, though he seems to have left a large part of his wealth to his other children. Oei Tjie Sien was a hard worker, but he also enjoyed the good sides of life; he became addicted to Dutch biscuits and cognac, as described by his granddaughter Oei Hui Lan [Koo 1943: 16-17].

#### IV Oei Tiong Ham and His Time

Oei Tiong Ham seems to have worked from his early years under his father's tutelage. In his youth, according to his daughter Hui Lan, he was a sort of wastrel and gambler, and even lost a great sum of money [Koo 1943: 9-11]. At that time, this was not unusual for

the son of a rich father, but its authenticity is somewhat questionable. It sounds too much like the story of a Javanese hero (or a Moslem saint) who in his youth stole, gambled or did some mischief. Javanese servants might have thought that being a big man, Oei Tiong Ham must have done something wrong in his youth, as a Javanese hero usually did, and told this to Hui Lan and his other children as if it was a genuine story.

Oei Tiong Ham's rise in the business world was fast, and surpassed his father's achievements before his death in 1900. With his appointment as lieutenant in 1886, he entered formally the cabang atas class in Semarang, and ten years later, he was made major [Rush 1977: 267]. In many ways, he was a different man from the father. The father was a cautious and conservative man, but Oei Tiong Ham was innovative and daring. For example, the father had a strong adherence to Chinese clothing and hair styles [Coppel 1989: 183], but in 1889, Oei Tiong Ham petitioned the Dutch government through his lawyer for permission to cut his queue and dress in a Western style [Godley 1981: 19; Liem Thian Joe 1933: 154]. This petition was granted, and he became the first Java Chinese to dress in a Western style. In 1904, this example was followed by all the Kian Gwan personnel [Liem Thian Joe 1933: 183].

Oei Tiong Ham was also different from his contemporaries in Java. For one thing, at one stage of his life he became an Anglophile, though he was living in the Dutch colony [de Veer 1908]. Of course, when the revenue farm system was still operating, he maintained friendly relations with the Dutch officials.

Even after he became a big businessman, although Semarang was not a “kota ambtenaar” (town of officials), as the historian Liem Thian Joe explains [Liem Thian Joe 1933: 135], Oei Tiong Ham took all the care not to offend Dutch officials [Koo 1943: 52]. For example, when he was riding a horse carriage, he made sure that he did not overtake the carriage of a Dutch official. In the early 1900s, however, he put the British flag on his motorboat and flaunted it before Dutch officials [de Veer 1908]. It was this Anglophile attitude which broadened his vision and enabled him to venture successfully into the world sugar market. In 1910, he set up an office in London to sell his sugar. Earlier, Java sugar was exported to the Netherlands, but with the increase in beet sugar production, the European market began to be closed, and in its place, London became the major export market for Java sugar.<sup>5)</sup>

It was in the 1880s that Oei Tiong Ham started trading in sugar, which later became his major business activity. In general, the 1880s was not a good decade for the sugar industry; in the early part of the decade, it was hit by a depression. But Oei Tiong Ham succeeded when others failed. He made large profits by cornering the sugar market in Java. In 1890, with this success in sugar, he had enough money to buy opium farms in Semarang, Yogyakarta, Surakarta, and Surabaya. In the late 1880s, there was a crisis in the opium farm, and only four out of 19 opium farms could survive. This gave Oei Tiong Ham an opportunity to buy the opium farms which had been jealously guarded by a

small number of closely knit cabang atas families. These farms had been lucrative and given them patronage as well as prestige in Chinese society [Rush 1977: 215]. Oei Tiong Ham kept the opium farms until 1904, when they were taken over by the opium *regie* (regime) administered by the colonial government. During this period of a little over a decade, he reputedly made about 18 million guilders as net profits.

In the 1890s, Oei Tiong Ham went also into sugar production. In this decade, he acquired five sugar factories and modernized them by installing new machines [Tjoa 1963: 605]. He then expanded into the trading in kapok, rubber, tapioca and tea [Godley 1981: 18]. In managing his businesses, he relied extensively on non-family members. He hired not only promising Chinese but also Dutch managers and technical experts. He understood well what money could do. He used it to hire competent people and evoke their loyalty. In the management of his opium farms, too, he seems to have relied on the outsiders he could trust, instead of his relatives, as typically done in the opium farms of cabang atas families at that time.

According to Liem Tjwan Ling, Oei Tiong Ham always sought to meet famous and successful people such as the young Chinese widow, Tio Tjien Tiong, who had controlled the best sugar fields in the Malang area [Liem Tjwan Ling 1979: 156]. He must have done the same thing on his trips abroad. He visited various trading centers in Southeast Asia. In Singapore, he became the friend of the famous Tjong brothers (or Chang in Mandarin), Tjong A Fie and Tjong Yong Hian [Godley 1981: 20], who were Chinese

5) “Suiker” in *Encyclopaedie van Nederlandsch-Indie*.



kapitan in Medan, East Sumatra, where Chinese immigration started later than in Java and where ties with Singapore and British Malaya were closer. Oei Tiong Ham realized in due course that Singapore was the most important trading center in the region and that the Chinese there were treated much better than in the Netherlands East Indies. So, he soon established an office in Singapore and made it a major link to the outside world for his expanding trading network in the Dutch colony. Thus he joined the small league of successful overseas Chinese who, as M.R. Godley describes it, behaved as if there were no national boundaries [Godley 1981: 20].

His success in sugar trading in the 1910s, during which sugar prices fluctuated wildly due to the First World War, earned him the name of "Java's sugar lord" in British circles. The postwar decline in commodity prices, sugar price in particular, did not seem to have harmed Oei Tiong Ham very much. What seems to have pained him most was the so-called war profit tax, or a tax on excess profits earned during the war. Since it was in addition to the income tax he paid, he felt it discriminatory. In 1917, the Netherlands adopted a 30 percent tax on excess profits earned during the war, with 1914 as the base year.<sup>6)</sup> Although the colonial government in the Indies adopted the same measure, since its bureaucracy was much slower in its implementation, the tax was not imposed until 1919, and in some cases, it was collected as late as 1924 [Tjoa 1963: 651]. Oei Tiong Ham moved to Singapore in 1921 partly because of this tax. At the same time, he

wanted to free himself from the Dutch civil law which restricted his freedom to select the children who would inherit his business. When he went to Singapore, he did not report to the Dutch consulate; according to the Dutch law of 1910, a Dutch subject who failed to report to the Dutch legation within three months of his arrival in a foreign country would lose his Dutch subject status [Purcell 1980: 442-443]. Because he was no longer a Dutch subject after three months in Singapore, he could now determine his successors as he wished. He died in Singapore in 1924.

The expansion of Oei Tiong Ham's business coincided with the rise of Chinese nationalism. In Java, there arose at the turn of the 19th and 20th centuries a movement against the Chinese officer system and the colonial government's discriminatory treatment of the Chinese [Williams 1960: 63]. It seems Oei Tiong Ham did not care much about the officer system, for in 1896 he requested the colonial government to relieve him of the position of lieutenant citing various pressing business matters as the reason [Rush 1977: 268]. The Dutch granted his request, but kept him as honorary major, which title he kept during his lifetime. From the 1890s, the officer system began to fall into disuse, and the officer titles became merely honorary. Dutch attempts to prop up the system by giving Chinese officers Dutch uniforms with a lot of gold braid made them look silly, and antipathy towards them became stronger [Williams 1960: 128].

According to J. Rush, the opium farm crisis in the 1880s which destroyed so many old officer families brought great discredit to the

6) "Belastingen" in *Encyclopaedie van Nederlandsch-Indie*.

officer institution [Rush 1977: 231]. As a result of this crisis, an anti-opium movement, which some Chinese intellectuals also joined, could gather some strength in Java [Indie en het Opium 1931]. Quite a number of novels were written in Malay by *peranakan* Chinese about the sinister and evil powers of the officer-cum-revenue farmer. One common theme was that the officer frames an honest Chinese for a vicious cause by using his monopoly right over opium (for example, by planting opium in the victim's house and letting it be discovered by the police) [Rush 1977: 239-242; Salmon 1981].

The social tension in the Chinese community was partly caused by demographic developments within the Chinese quarters. There was a natural growth of population, and added to it were the new waves of Chinese immigrants since 1870 which accelerated in the early 20th century. Under this demographic setting, the end of the two remaining major farms, the opium and pawnshop farms, made the Chinese feel sharper than ever the restriction on movement. They lost not only an important source of livelihood but also the justification for going into the interior. Meanwhile, since capital could not be invested in revenue farms any longer, a large amount of Chinese capital became available for investment in other areas, but there were few attractive areas for investment because of the restriction on traveling and residence. As a result, the Chinese quarters suddenly became too cramped [Rush 1977: 268].

At the same time, the relations between officers and *singkeh* worsened. After 1890, since Chinese officers were allowed to live outside the Chinese quarters, many of them moved

out. So, for the *singkeh*, they were not around in the neighborhood when they were needed. And the *singkeh* felt they were not well understood in their dealings with government authorities since the officers did not understand Chinese—the main language for the *singkeh*. On the other hand, the *peranakan*, especially the wealthy Chinese officers, began looking down upon the *singkeh* since they were poor and uneducated, and prejudice grew against them. The tension sometimes resulted in physical clashes between *singkeh* and officers, or non-officer *peranakan*, especially around 1910 when the revolution broke out in China [Williams 1960: 124].

Meanwhile, in the Netherlands, a new wave of moral conscience arose concerning the welfare of the Javanese masses. In 1900, the Dutch Queen spoke of “debt of honor” to the Javanese masses in her speech from the throne, and this inaugurated the so called ethical policy. This newly discovered moral duty to elevate the Javanese from poverty, ignorance, and over-crowdedness was the result of the electoral victory of the Dutch Christian political parties, though it had perhaps existed consciously or unconsciously in the minds of many colonial officials [Williams 1960: 38]. However, it was only after the Queen's speech that moral conscience became loudly proclaimed. The colonial government created commissions to study the declining welfare of the Javanese, unfair distribution of tax burdens, and many other socio-economic problems facing Javanese society. In fact, the colonial officials of the “ethical school” thought that the Chinese were glaringly prosperous in comparison with the Javanese, overlooking the ex-

istence of a large number of poor Chinese, especially among the newly arrived. More than ever, the "ethical" officials came to feel that the Javanese had to be rescued and protected from the tentacles of the Chinese.

Ending the revenue farms, especially the opium and pawnshop farms, was part of the "ethical policy." The Dutch also founded the rural credit bank, competing with the Chinese in money-lending to the Javanese peasants. The Minister of Colonies, who became rich in Batavia as a lawyer for the Chinese, wrote to the officials in the Indies to restrict Chinese movements into the interior, for "they are a pernicious influence" [Purcell 1980: 444]. Moral conscience spread among a great number of colonial officials, and this awakening seems to have caused a number of ill treatments of the Chinese by Dutch officials. And prejudice against the Chinese increased more sharply than ever in the 1900s.

It was in this situation that there arose a movement among the Chinese in Java, or the Young Chinese Movement, as was called by P.H. Fromberg, the Dutch colonial advisor for Chinese affairs and main advocate of Chinese cause.<sup>7)</sup> It was a movement against the colonial government policy on the Chinese. The Chinese demanded the colonial government to end the restrictions on traveling and residence and give them legal status equal to the Europeans. The movement also led to the founding of the Tiong Hwa Hwee Kwan School (T.H.H.K. School), Chinese Chamber of Commerce, and a more politically oriented reading club, Soe Po Sia. It was partly in response to this movement that the Dutch established the

Hollands Chineesche Scholen (School); it became necessary to keep the loyalty of their Chinese subjects. Also as a response to the movement (and the pressure of Dutch businesses which felt that the restrictions on Chinese traveling and residence were detrimental to their business interests), the Dutch practically abolished the restrictions on traveling and residence in 1910, although it took another several years for these to be completely abolished (this was done in 1916).

If Oei Tiong Ham was a daring "gambler" in business, he seemed to be very cautious in politics. There is no record showing that he made a major financial contribution to the Young Chinese Movement. He did not seem to have been a founder of the T.H.H.K. School in Semarang or even a member of its board. He kept even greater distance from the more politically oriented Soe Po Sia. However, from the very beginning, Oei Tiong Ham helped the founding of the Chinese Chamber of Commerce in Semarang, and played a key role in it for some years. Kian Gwan directors in various cities and towns in the Indies also played an important role in their respective local Chambers. There was no politics involved, however, in Oei Tiong Ham's and Kian Gwan's involvement in the Chinese Chambers. For example, in 1912 when some groups tried to use the Chambers to boycott Japanese goods, the Kian Gwan faction blocked the move. But a few years later, the Kian Gwan faction organized a boycott against its Dutch business rivals [Williams 1960: 105].

Oei Tiong Ham seemed little interested in the question of China and other political matters. Certainly, he headed welcoming com-

7) "De Chineesche Beweging op Java" in [Fromberg 1926].

mittees and acted as host to Chinese imperial and republican envoys, but he did the same thing for the crown princes of Denmark and Greece. Many factions in China must have contacted him for help since he was probably the richest man in Nanyang and certainly the most influential Chinese in the Netherlands East Indies. However, despite his knowledge of the revolutionary movement in China, he kept a neutral stand and did not support it financially [Godley 1981: 184]. One close associate of Sun Yat Sen once complained that the Chinese capitalists in Nanyang were against the revolution and afraid of it. But for Oei Tiong Ham, the question was not possibly whether he was for or against the revolution, or whether he was afraid of it or not. It seems that he wanted to be as apolitical as possible. Except the honorary title of major of the Chinese in Semarang, he did not seek any official position. He did not receive any decoration or mandarin title during the last days of the Ch'ing dynasty, though he was obviously among the first persons contacted in its courtship of the Nanyang Chinese [Godley 1981]. In contrast, a number of lesser Chinese in Java received decorations and mandarin titles from the imperial dynasty.

## V Concluding Remarks

Indonesian capitalism has always been politically connected. Writing on Dutch Java before 1800, the Dutch historian L. Blusse observed: "Only those individuals who coupled their fate with that of the Company [VOC] or who plundered it from within were able to build considerable fortunes, a state of affairs as valid for the Dutch as for other inhabitants

of the town [Batavia], the Chinese included" [Blusse 1986: 5-6]. This state of affairs has existed in any polity in Indonesian history, whether it was colonial, traditional or national.

The Dutch realized that they had no common interests with the Chinese, but only "like interests" [van den Muijzenberg 1965]. So, the Dutch sometimes saw the Chinese as rivals, as many traditional ruling groups did when they tried to dominate the economy with political power. In fact, nowhere were the Chinese regarded with greater suspicion than in the Netherlands East Indies. In contrast, in the British and French colonies, there was relatively little suspicion of the Chinese merchants. Even in the postwar period, this suspicion did not decline; at times, it got worse under nationalist Indonesia. In traditional Javanese peasant society, the Chinese merchants still do not have much legitimacy.

It was under the condition of suspicion that Chinese capitalism was born and grew. Naturally this molded its character. Notwithstanding the obvious importance of the Chinese economic role, recent scholars on Indonesia have been rather pessimistic about their leadership role in economic development [Williams 1952; Willmott 1960: 51]. Chinese capitalists have been short-term oriented; they only serve as a link in the economic chain. They are highly conspicuous in consumption, and speculative in investment, only interested in making a fast back. And one should add that Chinese capitalists do not venture imaginatively and innovatively outside the government sphere where they could get lucrative contracts. Hence, their entrepreneurship has always

been a step behind national development needs.

The Oei Tiong Ham story is an outstanding exception to Indonesian entrepreneurial history. His business career was relatively free from government patronage. He did not get much involved in government or military contracts as the other wealthy merchants of his time invariably did. Unlike his contemporaries in Southeast Asia, Oei Tiong Ham was innovative in finding new opportunities for investment and rationalizing his business organization. It should be pointed out at the same time, however, that the 1910s, when his business rapidly expanded, was a decade when the Chinese enjoyed the unrestricted freedom of movement, which was unprecedented in Indonesian history. With no need for government patronage and a relatively corruption-free bureaucracy, Oei Tiong Ham could concentrate all his energy on business expansion and rationalization.

The end of Oei Tiong Ham Concern came in the post-independence period, during the time of Sukarno. In 1961, the Sukarno government took over the company, charging that it had committed certain economic crimes. It is true that government suspicion against business is not a new but recurrent problem in Indonesian history; it existed during the colonial period as explained above, and it also did under indigenous rulers. But it reached a climax around 1960 under Sukarno. The Oei Tiong Ham business empire grew at a time when the Chinese did not need a strong identification with a state, but this attitude became fatal when Indonesia became a nation state and the government brought the economy firmly under its control.

It goes without saying that without trust between society and business, neither the government nor the economy could modernize and take the lead in national development. In this regard, the recent economic success of Thailand is worth considering. One major reason for Thai success is the relatively healthy relationship between society and business. Basically, the Thai government has confidence in business, and there is little social prejudice against it. Indonesia and Thailand have many common features (social structure, climate, etc.), and even in their history, there are many parallels. Perhaps in the future, Indonesia should look at the Thai model in order to create a healthy environment for business and make it the propelling force of economic development.

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